

MARKETBEAT INDUSTRIAL SNAPSHOT



BIRMINGHAM, AL

A Cushman & Wakefield Alliance Research Publication

Q1 2015



ECONOMIC OVERVIEW

According to The University of Alabama Center for Economic Research, Alabama's economy is expected to grow by 2.4% in 2015, a slightly higher rate than the 2.0% rate of growth that occurred in 2014. The state's unemployment

numbers continue to improve, as Alabama's seasonally-adjusted unemployment rate dropped to 5.8% in February, down from 6.3% in January.

During the first quarter of 2015, Birmingham's industrial market experienced modest growth with 85,022 square feet (sf) of direct positive absorption, a continued positive trend from fourth quarter of 2014. Direct vacancy fell to 11.6% in first quarter, down from 12.4%. Overall vacancy, which includes sublease space, ended the quarter at 12.2%, down from 13.1%. As a result, direct weighted asking rental rates for the overall Birmingham industrial market reported a slight increase from \$4.44 per square foot (psf) to \$4.49 psf in first quarter.

SUBMARKETS

Birmingham's Central submarket ended the first quarter with negative 1,925 sf of direct absorption as a result of several tenants vacating space at various properties. Despite this negative absorption, leasing activity totaled 117,509 sf and included Best Warehousing and Transportation's lease of 82,800 sf of bulk distribution space at Birmingham Food Terminal, along with several other smaller lease transactions in the area. Direct vacancy fell slightly to 17.2%, down from 17.4% at the close of 2014.

The Eastern submarket experienced modest growth with 12,600 sf of direct positive absorption in office/warehouse space. Direct vacancy dropped to 5.0% in first quarter, down from 5.8%.

The Oxmoor Valley submarket also experienced growth with 25,912 sf of direct positive absorption. Direct vacancy dropped 3.2 percentage points from 13.5% in first quarter, down to 10.3%.

The Southern submarket ended the first quarter with negative 5,133 sf of direct absorption, compared to positive 109,549 sf in fourth quarter of 2014. Direct vacancy remained virtually unchanged at 8.3%, up slightly from 8.2% in fourth quarter of 2014.

Direct absorption for the Southwestern submarket was positive 53,568 sf, a continued positive trend from 2014. This absorption can be attributed to Autobahn Indoor Speedway's lease of 53,568 sf of bulk distribution space at 5960 Greenwood Parkway. Direct vacancy improved to 13.6% in first quarter, down from 13.9%.

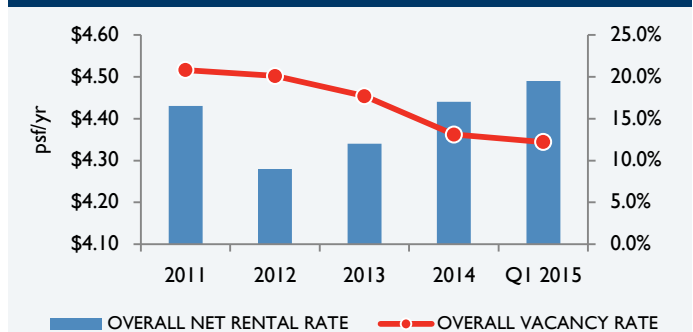
OUTLOOK

Overall, Birmingham's industrial market experienced steady growth during the first quarter of 2015. As Alabama's healthcare and automotive sectors continue to perform well, and the housing and aerospace industries gain momentum, vacancy rates will continue to decrease across the industrial market throughout the year. As the availability of quality space continues to diminish, the market may see an increase in build-to-suit activity as there is no new speculative construction planned in the near future. Furthermore, asking rents should experience a gradual increase, while landlord concessions should decrease in most product types and submarkets.

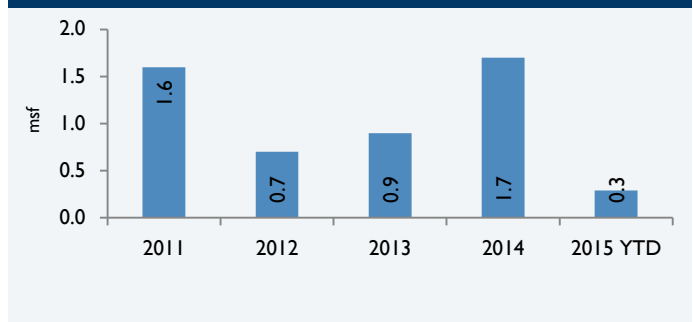
STATS ON THE GO

	Q1 2014	Q1 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	17.1%	12.2%	-4.9 pp	▼
Direct Asking Rents (psf/yr)	\$4.38	\$4.49	2.5%	▲
YTD Leasing Activity (sf)	544,715	287,885	-47.1%	▲

OVERALL RENTAL VS. VACANCY RATES



LEASING ACTIVITY



BIRMINGHAM, AL

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	YTD USER SALES ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OS	DIRECT WEIGHTED AVERAGE NET RENTAL RATE W/D
CENTRAL	4,158,004	17.2%	17.2%	117,509	67,228	0	0	(1,925)	(1,925)	\$7.01	\$2.84
EASTERN	1,548,300	5.0%	5.0%	43,600	40,000	100,000	0	12,600	41,200	\$6.13	\$4.07
OXMOOR VALLEY	2,666,564	12.7%	10.3%	65,283	33,000	0	0	25,912	25,912	\$7.87	\$5.08
SOUTHERN	3,948,003	8.7%	8.3%	7,925	15,300	0	0	(5,133)	(5,133)	\$7.50	\$5.20
SOUTHWESTERN	2,094,245	13.6%	13.6%	53,568	0	0	0	53,568	53,568	\$7.00	\$4.42
TOTALS	14,415,116	12.2%	11.6%	287,885	155,528	0	0	85,022	113,622	\$7.30	\$4.03

* RENTAL RATES REFLECT ASKING \$PSF/YEAR OS = OFFICE SERVICE W/D = WAREHOUSE/DISTRIBUTION

MARKET HIGHLIGHTS

SIGNIFICANT IQ15 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
2514 3 rd Street W	Central	Best Warehousing and Transportation Center	Warehouse/Distribution	82,800
5960 Greenwood Parkway	Southwestern	Autobahn Indoor Speedway Birmingham, LLC	Warehouse/Distribution	53,568
103 Shades Creek Circle	Oxmoor Valley	Mattress Firm (Relocation and Expansion)	Warehouse/Distribution	40,089
4759 Acton Court	Eastern	Southern Performance Volleyball Academy (Sublease)	Warehouse/Distribution	28,600
504 35 th Street	Central	Mayer Electric	Warehouse/Distribution	16,335
SIGNIFICANT IQ15 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
1548 Mims Avenue	Central	Capital Refractories Inc.	\$745,000 / \$8	90,800
5235 Pinson Valley Parkway	Eastern	Gilmer Properties LLC	\$850,000 / \$10	87,000
270 Industrial Park Road	Southwestern	McCown Properties LLC	\$365,000 / \$8	45,700
831 36 th Way N	Central	Southland Tube Inc.	\$412,500 / \$9	44,548
2724 5 th Avenue	Eastern	Prowler Supply Inc.	\$700,000 / \$23	30,000
3625 1 st Avenue S	Central	Blue Harp LLC	\$725,000 / \$32	22,680
SIGNIFICANT 2015 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
N/A				